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Third International Conference on Financing for Development
Addis Ababa, 13-16 July 2015

Agenda item 10
Adoption of the outcome document of the Conference

Letter dated 3 August 2015 from the Chargé d'affaires a.i. of the Permanent Mission of Ecuador to the United Nations addressed to the Secretary-General of the Conference

On behalf of my Government, I have the honour to request that the attached annex documents, which contain our 2 reservations and 17 explanations of national position expressed at the closing session of the third International Conference on Financing for Development, become part of the record and be included in its entirety in the report of the aforementioned Conference (see annex).

I should be grateful if you would have the present letter and its annex circulated as a document of the third International Conference on Financing for Development.

(*Signed*) Agustín **Fornell**
Minister
Chargé d'affaires a.i.

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Annex to the letter dated 3 August 2015 from the Chargé d'affaires a.i. of the Permanent Mission of Ecuador to the United Nations addressed to the Secretary-General of the Conference

[Original: Spanish]

Position of Ecuador regarding the outcome document adopted at the third International Conference on Financing for Development, Addis Ababa, Ethiopia, 13-16 July 2015

The Monterrey Consensus established three fundamental pillars underpinning the mechanisms to mobilize financial resources for development: growth, the eradication of poverty, and sustainable development. Today, our commitment remains the same as 13 years ago in Monterrey and seven years ago in Doha, while the mobilization of resources falls far short of what is needed to combat the problems that hinder development.

The main goal of the post-2015 development agenda is to eradicate poverty by the year 2030, and in that regard the third International Conference on Financing for Development should set in place conditions to mobilize resources towards the achievement of this goal.

Although Ecuador must acknowledge the endeavours to provide such multilateral forums as the third International Conference on Financing for Development, it draws attention to the limitations of the complex and profoundly asymmetrical negotiation process, based on conventional rules that need to be rethought within the United Nations itself.

The outcome document reveals the marked asymmetry in favour of the so-called developed countries expressed in the adopted text, and we offer our comments on the important points below.

1. Reservations regarding the outcome document of the third International Conference on Financing for Development

Paragraph 31

Reservation of Ecuador

Ecuador presented its legal reservation to paragraph 225 of the outcome document of the United Nations Conference on Sustainable Development, since it is contrary to the provisions of several articles of our Constitution and therefore our national laws. On previous occasions, Ecuador has stated that any assessment, monitoring, reporting and review of our national energy policies and measures, including our taxation structures, impinges on our national sovereignty and is unacceptable.

Through the Group of 77 and China, Ecuador supported and submitted proposals for text that would reflect the goal of giving equal weight to States' different positions by including other subsidies and compensatory measures used by developed States, with a view to achieving consensus. Thus, in our opinion the paragraph as submitted impinges upon our sovereignty and undermines policies in the field of sustainable development and the eradication of poverty.

Therefore, Ecuador disagrees with paragraph 31 of the present document and expresses its reservation regarding the aforementioned paragraph, in line with the same arguments as in the reservation to the paragraph of the outcome document of the United Nations Conference on Sustainable Development, "The future we want".

Paragraph 113

> "Building on the vision of the Monterrey Consensus, we resolve to strengthen the coherence and consistency of multilateral financial, investment, trade, and development policy and environment institutions and platforms, and increase cooperation between major international institutions, while respecting mandates and governance structures."

Reservation of Ecuador

Ecuador believes that, as a forum, the United Nations should consider and follow up the statements made on the reform of the international financial architecture, as highlighted in paragraphs 52 and 53 of the Monterrey Consensus, which point to the need to enhance coherence, governance and consistency of the international monetary, financial and trading systems, and to strengthen the United Nations leadership role in promoting development. Therefore, the international financial architecture must be reformed with greater transparency and the effective participation of developing countries. Likewise, it should be recalled that paragraph 79 of the outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus indicated, in 2008, that the United Nations would hold a conference on the world financial and economic crisis and its impact on development. That conference dedicated an entire chapter of its outcome document to the reform of the international financial system, a commitment undertaken by the multilateral system that has not been addressed.

2. Explanations regarding the outcome document of the third International Conference on Financing for Development

Paragraph 3

Explanation of position

Progress in combating poverty has been enabled by the political will to mobilize domestic resources through national public policy, and is not the result of global commitments being met at the multilateral level. There must be an evaluation of the efforts made to meet the commitments and the outcomes of the Monterrey and Doha Conferences. Furthermore, progress in science and technology has been achieved, for the most part in developed countries, without leading to concrete commitments regarding technology transfers to developing countries.

Paragraph 5

> "We also reaffirm all the principles of the Rio Declaration on Environment and Development."

Explanation of position

Ecuador considers that the last paragraph on the reaffirmation of the Rio Principles does not reflect the current state of affairs and the new development agenda, already addressed at the United Nations Conference on Sustainable Development; in paragraph 246 of the outcome document entitled "The future we want" the developing countries say that they recognize the importance of a set of sustainable development goals, which are based on Agenda 21 and the Johannesburg Plan of Implementation, taking into account different national circumstances, capacities and priorities. Owing to the structural differences and asymmetries among countries and blocs, instead of referring to responsibilities solely in terms of the environmental pillar, all three pillars of sustainable development must be mentioned, and the principle of common but differentiated responsibilities must be reaffirmed.

Paragraph 9

"We will respect each country's policy space and leadership to implement policies for poverty eradication and sustainable development, while remaining consistent with relevant international rules and commitments."

Explanation of position

The multilateral framework and the support of global institutions should be focused on strengthening national efforts as a function of development goals and not on introducing conditions for the conduct of States. Pursuant to its Constitution "Planning national development, eliminating poverty, and promoting sustainable development and the equitable redistribution of resources and wealth to enable access to the concept of 'buen vivir' (living well)" is a duty of the State of Ecuador.

Paragraph 10

"... to all countries while taking into account different national realities, capacities, needs and levels of development and respecting national policies and priorities."

Explanation of position

The phrase "taking into account different national realities, capacities, needs and levels of development and respecting national policies and priorities" cannot replace the general principle of common but differentiated responsibilities, which should guide our efforts, as indicated in the United Nations Conference on Sustainable Development outcome document, "The future we want".

Paragraph 14

Explanation of position

The importance of regional development banks for infrastructure construction should be noted.

Paragraph 19

Explanation of position

We reiterate that the outcome document of the third International Conference on Financing for Development must not be taken as a replacement for the means of implementation of the post-2015 development agenda. One of the Addis Ababa outcomes should complement those means of implementation for related goals. The post-2015 development agenda is completely separate from the financing for development process, because the latter pursues principles linked to systemic issues (such as reform of the international financial and monetary system). The two processes (financing for development and the post-2015 agenda) require synergies that would be mutually supportive, while retaining their character and pursued objectives. In that regard, the post-2015 agenda should develop its own means of implementation (goal 17), derived from the other 16 sustainable development goals, and the financing for development process would contribute in relation to the mobilization of resources.

Paragraph 20

"Civil society, independent media, and other non-State actors also play important roles."

Explanation of position

The main role concerning the use of domestic resources falls to States. The actors indicated in the sentence above ("Civil society ... and other non-state actors also play important roles") would play a complementary part. The "independent media" have no role whatsoever in mobilizing domestic resources.

Paragraph 24

Explanation of position

Given the fact that the Financial Action Task Force is an institution comprising all countries and regions, all States should commit to combating illegal flows through public policy actions and not endorse institutions outside of the United Nations system.

Paragraph 29

Explanation of position

Ecuador reiterates the importance of having an intergovernmental agency within the framework of the United Nations to address tax matters effectively and in a timely manner. Therefore, we believe that the current paragraph does not effectively address current international challenges and objectives. Ecuador also considers that the Committee of Experts on International Cooperation in Tax Matters needs to be upgraded to an intergovernmental agency, with an expanded membership; equitable geographic representation in appointments by States themselves, independent of review by the Secretary-General; the necessary expertise; and sufficient resources for an increase in its number of meetings.

Paragraph 34

"We will work to strengthen debt management, and where appropriate to establish or strengthen municipal bond markets, to help subnational authorities to finance necessary investments. We will also promote lending from financial institutions and development banks, along with risk mitigation mechanisms, such as the Multilateral Investment Guarantee Agency, while managing currency risk."

Explanation of position

Risk must not be concentrated exclusively in public institutions through the issuance of municipal bonds but also spread among private investors when financing is obtained for the investments required by subnational governments.

Paragraph 36

"Monterrey tasked us to build transparent, stable and predictable investment climates, with proper contract enforcement and respect for property rights, embedded in sound macroeconomic policies and institutions."

Explanation of position

Ecuador endorses what was agreed at Monterrey. However, it notes that investment contracts under the existing international investment and arbitration system have resulted in losses, in respect of which the lawsuits brought by investors have hindered or limited the effectiveness of States in the public policy space.

Paragraph 48

Explanation of position

Ecuador agrees with public-private partnerships. Nevertheless, these must be governed in accordance with the regulations issued by States, subject to development plans and goals and to public investment plans.

Paragraph 61

Explanation of position

The Green Climate Fund is currently mobilizing its resources through a World Bank trust fund, meaning that it is using existing multilateral banking mechanisms. Those resources should be mobilized through regional financial institutions.

Paragraph 100

"Furthermore, we take note of discussions in the United Nations on debt issues."

Explanation of position

Ecuador takes note of the existence of the debt restructuring mechanisms of multilateral financial institutions. However, it believes that it is crucial for the United Nations to work on a framework for the restructuring of sovereign debt that could enjoy the support of all Member States.

Paragraph 107

"At the same time, we recognize the importance of strengthening the permanent international financial safety net."

Explanation of position

Ecuador reiterates that efforts should concentrate on encouraging the construction of regional financial safety nets, on the basis of which global financial safety nets should be understood to operate.

Paragraph 110

Explanation of position

Ecuador reiterates its support for regulatory frameworks for the operation of credit rating agencies, to be promoted within the framework of the United Nations.

Paragraph 132

Explanation of position

Ecuador reaffirms that such follow-up should be carried out by a committee of experts within the United Nations Economic and Social Council, independently and with its own follow-up mechanisms to arrive at conclusions and recommendations on the financing for development process (Monterrey, Doha, Addis Ababa and future conferences).